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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN PRIORITY

C O N F I D E N T I A L STATE 209270

E.O. 11652: GDS

TAGS: USIRJC

SUBJECT: TECHNICAL SERVICES IN CAPITAL PROJECT
DEVELOPMENT

REF: (A) TEHRAN 8292; (B) STATE 194660

1. U.S. DEPARTMENTS AND AGENCIES PARTICIPATING IN
USIRJC WELCOME EMBASSY'S PROPOSED FURTHER EFFORTS PER
REF A TO CLARIFY ISSUE OF PAYMENT FOR USG TECHNICAL
SERVICES IN THE PLANNING OR DEVELOPMENT OF IRANIAN
CAPITAL PROJECTS. THIS IS AMONG ISSUES WHICH UNDER
SECRETARY OF COMMERCE BAKER IS PREPARING TO ADDRESS AT
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SEPTEMBER MEETING OF JOINT COMMITTEE ON ECONOMIC AND
FINANCIAL AFFAIRS, IF STILL UNRESOLVED THEN. HOWEVER,
IT ALSO CONCERNS OTHER JOINT COMMITTEES, AND PREFERABLY

SHOULD BE SETTLED ON ACROSS-THE-BOARD BASIS WITH JC CO-CHAIRMEN ANSARY AND MEHRAN, PARTICULARLY INASMUCH AS THEY RAISED THE ISSUE AND THEY SEEM TO CONTROL FINANCIAL CLEARANCE OF ALL JC PROGRAM AGREEMENTS.

2. NONETHELESS, EMBASSY SHOULD CONSIDER BEFORE OPENING THIS SUBJECT WITH ANSARY AND MEHRAN WHETHER ATTEMPT TO OBTAIN UNIFORM RESOLUTION WILL OBSTRUCT PROGRAMS WITH CERTAIN GOI AGENCIES WHICH ARE WILLING AND ABLE TO PAY FOR USG SERVICES FOR CAPITAL PROJECT PLANNING. IN ONE EMBASSY-ANSARY DISCUSSION HE IMPLIED THAT INDIVIDUAL MINISTRIES MIGHT GO THEIR OWN WAY. KEY TEST OF WHETHER UNIFORM MINISTRY OF FINANCE STRICTURE MAY BE ENFORCED ON MINISTRIES COULD BE THE PENDING MLSA-USDOL PROGRAM AGREEMENT WHICH INCLUDES SMALL AMOUNT OF SUCH USG SERVICES TO BE PAID FOR BY MLSA. SUGGEST EMBASSY DETERMINE WHETHER MINFIN DELAY IN CLEARING LABOR PROGRAM AGREEMENT IS DUE TO THIS ISSUE BEFORE DECIDING TACTICS IN HANDLING FOLLOWING GUIDANCE.

3. IN THIS CONTEXT, CAPITAL PROJECT MEANS THE DESIGN, CONSTRUCTION AND EQUIPMENT OF A PHYSICAL FACILITY OR SET OF FACILITIES, REGARDLESS OF WHETHER PROJECT IS PART OF A LARGER PROGRAM OF INSTITUTION-BUILDING INVOLVING CONVENTIONAL TECHNICAL ASSISTANCE OR NOT.

4. THE CLEAR IMPLICATION OF GOI OFFICIALS' STATEMENTS IN PREPARATORY MEETINGS, JOINT COMMISSION MEETING AND SUBSEQUENT ACTION GROUP DISCUSSIONS HAS BEEN THAT GOI WANTS USG HELP IN ACCELERATING IRAN'S DEVELOPMENT, PARTICULARLY IN SECTORS AND PROJECTS DESIGNATED BY JOINT COMMISSION AGREED MINUTES, AND IS PREPARED TO PAY FOR ANY USG TECHNICAL SERVICES THAT GOI OFFICIALLY REQUESTS, SUBJECT TO ITS ADVANCE APPROVAL OF BUDGET FOR SUCH SERVICES. USG APPROACH HAS BEEN TO ASSUME THAT GOI WANTED TO GET ON WITH BOTH CAPITAL PROJECTS AND TECHNICAL/INSTITUTIONAL DEVELOPMENT PROJECTS (CONVENTIONAL TECHNICAL ASSISTANCE) DESIGNATED BY JC
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AGREED MINUTES AND FURTHER DEFINED BY FOLLOW-UP MEETINGS OF ACTION GROUPS. FOR OUR PART, WE WANT TO REALIZE THE MUTUAL OBJECTIVES STATED BY JC AGREEMENTS, INCLUDING ACCELERATION OF CAPITAL PROJECTS WHICH WILL ENTAIL SALES OF US GOODS AND SERVICES. CONSEQUENTLY, USG PARTICIPANTS IN JOINT COMMISSION BODIES HAVE BOTH RESPONDED POSITIVELY TO GOI INITIATIVES SEEKING USG TECHNICAL HELP IN PLANNING CAPITAL PROJECTS AND TAKEN INITIATIVES IN SUGGESTING SUCH USG TECHNICAL HELP. IN SOME INSTANCES, ORIGINAL INITIATIVE IS LIKELY TO BE DIFFICULT TO ASCRIBE TO EITHER GOI OR USG OFFICIALS.

5. BASIC USG POLICY IS TO MAXIMIZE USE OF PRIVATE US CONTRACTORS IN JOINT COMMISSION PROGRAMS, RELYING ON USG SERVICES ONLY WHERE NECESSARY TO TIMELY ACHIEVEMENT OF OUR OBJECTIVES. EXPERIENCE TO DATE INDICATES THERE ARE AND WILL BE SITUATIONS IN WHICH GOI NEEDS HELP OF USG SPECIALIZED AGENCIES (OR CONSULTANTS THEY MAY QUICKLY RECRUIT) IN BRINGING CAPITAL PROJECT IDEAS TO THE STAGE WHERE CONTRACTING WITH US PRIVATE PROFESSIONAL SERVICE FIRMS OR COMPANIES BECOMES PRACTICABLE. IN PROVIDING SUCH ASSISTANCE, USG AGENCY IS, IN EFFECT, TEMPORARILY SUPPLEMENTING TECHNICAL STAFF OF IRANIAN AGENCY FOR SUCH PURPOSES AS DEFINING TECHNICAL CRITERIA TO BE MET BY PROPOSED CAPITAL PROJECT IN TERMS WHICH PROSPECTIVE CONTRACTORS CAN UNDERSTAND, DRAFTING REQUESTS FOR PROPOSALS BY FIRMS, DEVELOPING CRITERIA FOR REVIEW OF RESPONSES BY INTERESTED FIRMS, ASSISTING IN PREPARATION OR REVIEW OF SPECIFICATIONS TO BE INCLUDED IN INVITATIONS TO BID BY CONSTRUCTION CONTRACTORS, OR IN REVIEW OF VOLUNTEERED PROPOSALS BY TURNKEY CONTRACTORS.

6. THE ROLES AND FUNCTIONS OUTLINED IN PARA 5, PARTICULARLY IN VIEW OF CIRCUMSTANCES OUTLINED IN PARA 4, ARE PLAINLY TECHNICAL COOPERATION WITHIN MEANING OF TERM AS CONTEMPLATED WHEN PROGRAM OF REIMBURSABLE TECHNICAL COOPERATION WAS ADOPTED BY JOINT COMMISSION. SUCH USG TECHNICAL SERVICES ARE DISTINGUISHABLE FROM PRE-SALES EFFORTS OF PRIVATE COMPANIES PROMOTING THEIR PROPRIETARY APPROACHES TO A PROJECT OR THEIR EQUIPMENT AND SERVICES. WHILE USG TECHNICAL SERVICES MAY ACCELERATE OR ENHANCE
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PROSPECT OF SALES BY US CONTRACTORS AND SUPPLIERS, THEIR PURPOSE IS TO ASSIST GOI IN ITS DEVELOPMENT EFFORTS. THERE IS NO ASSURANCE THAT SUCH TECHNICAL SERVICES WILL, IN FACT, CAUSE ADDITIONAL US EXPORTS TO IRAN. IN ANY EVENT, USG HAS NO MECHANISM FOR COLLECTING REIMBURSEMENT FOR EXPORT OPPORTUNITY DEVELOPMENT WORK FROM US PRIVATE COMPANIES THAT MAY OBTAIN EXPORT CONTRACTS. WE APPRECIATE ANSARY'S POINT THAT OTHER GOVERNMENTS SOMETIMES OFFER SUCH SERVICES GRATIS AS PART OF THEIR EXPORT-PROMOTION PROGRAMS. HOWEVER, THERE IS NO PROSPECT OF ESTABLISHING SUCH A PROGRAM IN THE CURRENT FISCAL YEAR.

7. IN SUMMARY, USG PARTICIPANTS IN JOINT COMMISSION ACTIVITIES WILL CONTINUE TO SUGGEST AS WELL AS TO RESPOND POSITIVELY TO GOI REQUESTS FOR USG TECHNICAL SERVICES IN PLANNING AND RELATED DEVELOPMENT OF CAPITAL PROJECTS, BOTH AS PART OF BROADER PROGRAMS OF US TECHNICAL ASSISTANCE AND AS A DISCRETE TECHNICAL

ASSISTANCE PROJECT. IN ALL CASES WHERE SUCH SERVICES ENTAIL SPECIAL TRIPS OR MORE THAN A FEW DAYS' WORK FOLLOWING UP ON A JOINT COMMITTEE OR WORKING GROUP MEETING, USG WILL UNDERTAKE SUCH SERVICES UNDER TERMS OF U.S.-IRAN TECHNICAL COOPERATION AGREEMENT ON A FULLY REIMBURSABLE BASIS FOLLOWING GOI ACCEPTANCE OF BUDGETARY AND OTHER ASPECTS OF THE PROPOSED WORK.

8. SUBJECT TO PARA 2 EMBASSY MAY DRAW UPON FOREGOING IN DISCUSSION WITH ANSARY AND MEHRAN.

9. FOREGOING DOES NOT AFFECT USG POSITION WITH RESPECT TO PLANNING OR OTHER PREPARATORY WORK IN DEVELOPING CONVENTIONAL TECHNICAL ASSISTANCE PROJECTS. SUCH WORK IS TO BE INCLUDED IN REIMBURSABLE BUDGETS OF USG AGENCIES UNDER THEIR PROGRAM AGREEMENTS WITH IRANIAN COUNTERPART AGENCIES. ROBINSON

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